

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature			Date	

CHARTER TOWNSHIP OF ANN ARBOR

REPORT ON AUDIT OF
FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2004

CHARTER TOWNSHIP OF ANN ARBOR

TOWNSHIP OFFICIALS

Supervisor - Michael Moran
Clerk - Rena Basch
Treasurer - Virginia Forshee

BOARD OF TRUSTEES

Rena Basch
Virginia Forshee
John Allison
Richard Dieterle, M.D.
Della Dipietro
Michael Moran
Gene Ragland

LEGAL COUNSEL

Bodman, Longley & Dahling

TOWNSHIP AUDITORS

Pfeffer, Hanniford & Palka
Certified Public Accountants

TABLE OF CONTENTS

PAGE NUMBER

INDEPENDENT AUDITORS' REPORT	
MANAGEMENT DISCUSSION AND ANALYSIS	9
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
Statement of Net Assets	19
Statement of Activities	20
FUND FINANCIAL STATEMENTS	
Balance Sheet - Governmental Funds	22
Reconciliation of Statement of Net Assets of Governmental Funds to the Balance Sheet	23
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	24
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	25
Statement of Net Assets - Water and Sewer Fund	26
Statement of Revenues and Expenses – Water and Sewer Fund	27
Statement of Cash Flows	28
NOTES TO FINANCIAL STATEMENTS	30
REQUIRED SUPPLEMENTARY INFORMATION	
GENERAL FUND	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	44
FIRE FUND	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	45
BUILDING DEPARTMENT FUND	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	46
CAPITAL IMPROVEMENT FUND	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	47
FARMLAND PRESERVATION FUND	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	48

TABLE OF CONTENTS

PAGE NUMBER

SUPPLEMENTARY INFORMATION

COMBINING FINANCIAL STATEMENTS

Combining Balance Sheet - All Special Revenue Funds	51
Combining Balance Sheet - All Fiduciary Funds	52
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - All Special Revenue Funds	53

INDIVIDUAL FUNDS

GENERAL FUND

Balance Sheet	56
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	57
Statement of Expenditures - Budget and Actual	58

FIRE FUND

Balance Sheet	64
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	65
Statement of Expenditures - Budget and Actual	66

BUILDING DEPARTMENT FUND

Balance Sheet	68
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	69

STREET LIGHTING FUND

Balance Sheet	71
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	72

CAPITAL IMPROVEMENT FUND

Balance Sheet	74
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	75

TABLE OF CONTENTS

PAGE NUMBER

FARMLAND PRESERVATION FUND

Balance Sheet	77
Statement of Revenues, Expenditures and Changes in Fund	
Balance - Budget and Actual	78

WATER AND SEWER FUND

Balance Sheet	80
Schedule of Operations – Budget and Actual	81
Statement of Revenues, Expenses and Changes in Retained Earnings	82
Statement of Cash Flows - Indirect Method	83

PAYROLL FUND

Balance Sheet	85
---------------	----

TAX COLLECTION FUND

Balance Sheet	87
---------------	----

TRUST AND AGENCY FUND

Balance Sheet	89
---------------	----

ESCROW FUND

Balance Sheet	91
---------------	----



PFEFFER ■ HANNIFORD ■ PALKA
Certified Public Accountants

John M. Pfeffer, C.P.A.
Patrick M. Hanniford, C.P.A.
Kenneth J. Palka, C.P.A.

Members:
AICPA Private Practice Companies Section
MACPA

225 E. Grand River - Suite 104
Brighton, Michigan 48116-1575
(810) 229-5550
FAX (810) 229-5578

March 31, 2005

Board of Trustees
Charter Township of Ann Arbor
3792 Pontiac Trail
Ann Arbor, Michigan 48105

INDEPENDENT AUDITORS' REPORT

Honorable Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Ann Arbor, as of and for the year ended December 31, 2004, which collectively comprise the Charter Township of Ann Arbor's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter Township of Ann Arbor's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Ann Arbor, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 12, the Township has implemented a new financial reporting model as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of December 31, 2004.

The Management's Discussion and Analysis and other required supplementary information on pages 9 through 16 and 44 through 48 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Ann Arbor's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information, such as the combining and individual fund statements, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA

Certified Public Accountants

MANAGEMENT DISCUSSION
AND
ANALYSIS

Management Discussion and Analysis December 31, 2004

This section of the Ann Arbor Charter Township's annual financial report provides a narrative discussion and analysis of the Township's financial activities for the fiscal year ended December 31, 2004. This narrative discusses and analyzes the activity within the context of the financial statements and disclosures that follow this section. The discussion focuses on the Township's primary governmental functions and, unless otherwise noted, component units reported separately from the primary governmental functions are not included.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the Township's basic financial statements. The basic financial statements include government-wide financial statements, fund financial statements, and notes to the financial statements. This report also includes additional information to supplement the basic financial statements.

Government-wide Financial Statements

The Township's annual reports include two government-wide financial statements. These statements provide both long-term and short-term information about the Township's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the Statement of Net Assets. This is the Township-wide statement of position presenting information that includes all the Township's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township as a whole is improving or deteriorating. Evaluation of the overall health of the Township may extend to various non-financial factors as well.

The second government-wide statement is the Statement of Activities which reports how the Township's net assets changed during the current fiscal year. The design of this statement is to show the financial reliance of the Township's distinct activities or functions on the revenues generated by the Township.

Both government-wide financial statements distinguish governmental activities of the Township that are principally supported by taxes and revenue sharing from the business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include such activities as general government, public safety, and planning and zoning departments. Business-type activities include water & sewer system operations. Fiduciary activities such as tax collection are not included in the government-wide statements since these assets are not available to fund Township programs.

The Township's financial reporting includes all the funds of the Township (primary government) and, additionally, organizations for which the Township is accountable (component units).

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Township uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Township's most significant funds rather than the Township as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the combining statements later in this report.

The Township has three kinds of funds:

Governmental funds are reported in the financial statements and encompass essentially the same functions as governmental activities in the government-wide financial statements except with a different focus on the financial activity. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of these resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term. Since the focus of the government-wide financial statements includes a long-term view, a reconciliation of these fund balances has been completed to detail its relation to net assets.

Proprietary funds are reported in the fund financial statements and are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Fiduciary funds are reported in the fiduciary fund financial statements, but are excluded from the government-wide statements. Fiduciary fund financial statements report resources that are not available to fund Township activities.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of both the government-wide and fund financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Other supplementary information includes detail by fund for receivables, payables, transfers, and payments within the reporting entity.

Major funds are reported in the basic financial statements as discussed. Combining and individual statements and schedules for non-major funds are presented in a subsequent section of this report.

Financial Analysis of the Township as a Whole

The Township has implemented the new financial reporting model used in this report beginning with the current fiscal year ended December 31, 2004. Over time, as year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the Township as a whole.

The Township's net assets at the end of the fiscal year were \$23,867,906. This is a \$636,847 increase over last year's net assets of \$23,231,059.

The following tables provide a summary of the Township's financial activities and changes in net assets:

Summary of Net Assets

	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 5,626,559	\$ 6,180,851	\$ 11,807,410
Capital assets	2,137,229	12,004,559	14,141,788
Total assets	<u>7,763,788</u>	<u>18,185,410</u>	<u>25,949,198</u>
Other liabilities	166,346	166,814	333,160
Deferred revenues	1,731,092	17,040	1,748,132
Total liabilities	<u>1,897,438</u>	<u>183,854</u>	<u>2,081,292</u>
Net assets:			
Invested in capital assets, net of related debt	2,137,228	12,004,559	14,141,787
Unrestricted	3,729,122	5,996,997	9,726,119
Total net assets	<u>\$ 5,866,350</u>	<u>\$ 18,001,556</u>	<u>\$ 23,867,906</u>

Summary of Changes in Net Assets

	Governmental Activities	Business-Type Activities	Total
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Program revenues			
Charges for services	\$ 553,437	\$ 890,067	\$ 1,443,504
Capital grants and contributions	26,764	752,671	779,435
General revenues			-
State shared revenues	287,320		287,320
Property taxes	1,171,041		1,171,041
Interest	71,812	130,390	202,202
Other	221,415		221,415
Total revenues	<u>2,331,789</u>	<u>1,773,128</u>	<u>4,104,917</u>
Expenses			
General government	728,792		728,792
Building department			-
Fire protection	1,016,196		1,016,196
Police protection	330,901		330,901
Streetlighting	3,881		3,881
Public works	42,832		42,832
Water and sewer systems		1,345,468	1,345,468
Total expenses	<u>2,122,602</u>	<u>1,345,468</u>	<u>3,468,070</u>
Changes in net assets	209,187	427,660	636,847
Beginning net assets	<u>5,657,163</u>	<u>17,573,896</u>	<u>23,231,059</u>
Ending net assets	<u><u>\$ 5,866,350</u></u>	<u><u>\$ 18,001,556</u></u>	<u><u>\$ 23,867,906</u></u>

This year the Township's governmental funds saw a significant increase of cash and cash equivalents in the governmental funds due to revenues exceeding expenditures in the general fund by \$183,905. Total capital assets acquired during the year totaled \$51,693 for governmental funds. Total revenues exceeded expenses in the governmental funds by \$340,895 for the year ended December 31, 2004.

The business type funds reported an increase of net assets totaling \$427,660 as opposed to the prior year net income of \$89,486. This is primarily due to the fixed asset adjustment for prior year's developers' water/sewer systems contributions to the Township of \$752,671 as explained in the notes to the financial statements number 3.

Financial Analysis of the Township's Major Funds

The Township's General Fund had revenues over expenditures totaling \$183,905. Amounts were consistent with prior years' activities except for a substantial decrease of attorney fees paid.

Another major fund was the Fire Fund which had revenues exceeding expenditures by \$49,568. Totals appear reasonable to prior year activities except for the amount paid for addition personnel, but was offset by additional charges for services received during the year.

The Building Department Fund is a major fund that had revenues exceeding expenditures by \$49,316 for the year ended December 31, 2004. The activity in this fund has decreased over the prior year due to a slow down of growth in the Township.

The Capital Improvement Fund is a major fund that accounts for the savings and expenditures of capital assets of the Township. A total of \$51,693 of capital assets were purchased in this fund while still adding \$92,917 to its fund balance.

The Township's last major fund was the Farmland Preservation Fund. This fund accounts for the collection of property taxes, transfers in, and the subsequent contracting of services with others to protect the various farmlands of the Township. A deficit occurred in this fund due to the initial costs of starting this project. Deferred revenues were \$308,182 at December 31, 2004 in which the Township will recognize within the next fiscal year to remedy the deficit.

The Township's single major business-type fund, the Water & Sewer Fund, had an increase of net assets totaling \$427,660. This fund also acquired \$44,540 of capital assets during the year for system improvements. Also, the city of Ann Arbor increased its sewer and water rate charges to the Township in fiscal 2004. The Township used the existing net assets in the Utility Fund to absorb the increased cost.

General Fund Budgetary Highlights

The General Fund adopted its budget prior to the fiscal year in accordance with Public Act 493 of 2000. Total budgeted appropriations exceeded actual expenditures by \$105,903. Expenditures are budgeted by line item, and none of these line items exceeded budgeted appropriations. The budget was amended during the year to account for immaterial economic reality discrepancies and the decreased legal counsel activities.

Capital Asset and Debt Administration

The governmental funds of the Township purchased \$51,693 of new capital assets this year. This included \$29,408 of fire department equipment and \$22,285 for a vehicle for fire department personnel. The Capital Improvement Plan held by the Township is funded with fees obtained from the rental of cell towers and fees negotiated with tax exempt organizations for the provision of fire protection services.

The business-type activities spent \$44,540 for utility system improvements and equipment.

The Township did not incur nor extinguish any debt during the year ended December 31, 2004 for any fund types. The Township has no outstanding long-term debt as of year end.

Economic Conditions and Future Activities

The Township is anticipating a further drop in state revenue sharing for its general fund to continue into next year due to the declining economic environment. Typically, the state shared revenues are related to sales collection from the State of Michigan. However, the State of Michigan has discretionary power to cut statutory revenue sharing for the Township and has done so the past few years.

The State of Michigan shares a percentage of the sales tax collected with the local governments. Ann Arbor Township's portion of this has decreased almost \$50,000 over the past three years. The Township's revenue sharing income for 2002, 2003 and 2004 was \$336,899, \$310,218 and \$287,320 respectively.

Because of the State's financial condition, the Township received \$22,898 less in revenue sharing during the year. The State has continued to reduce the amount that the Township receives in revenue sharing for several years, and, given the financial condition of the State, reductions are likely to continue for the next several years. In addition, once again, the State failed to fully fund the program under which the Township is supposed to be compensated by the State for State properties receiving fire protection services, but paying no tax dollars for it. Moreover, with the implementation of the METRO Act, the State took away the right of the Township to charge utilities for the use of the Township's rights-of-way and appropriated to the State, retuning a much smaller share to the Township.

The Township completed development of a new Cable Franchise Ordinance and negotiated a new contract with Comcast.

The Township is engaged in an on-going review of the fees that it charges to developers who have projects under consideration by the Township in order to fully recover the costs of analyzing and administering those developments.

This year, there were eleven parcels that were released for annexation to the City of Ann Arbor pursuant to the 1994 Boundary Policy Statement. The Township was able to negotiate an amendment to the Boundary Policy Statement this year. The City is drastically raising the improvement fees that it charges when one connects to the sewer or water systems. The amendment permits many Township residents who will ultimately be annexed into the City, to connect to City water and/or sewer at the current, lower improvement charges and still not be required to annex into the City until December 31, 2007.

The Township also continued negotiating new sewer and water contracts with the City of Ann Arbor. The Township has been in negotiations with the City over these issues since 1996, but believes that the Township is very close to an agreement that will provide for the continuation of these utilities to 2025. There were many issues raised during these extended negotiations, including issues that are related to the continuing spread of the pollution plume from the Pall Life Sciences (previously Gelman) site. The City of Ann Arbor has raised the rates it charges us for water and sewer services. The Township has commissioned a study to determine whether it can avoid passing all of the increased cost to its citizens.

Since 2001, the Township has provided police services by contracting with Washtenaw County for four Deputies. This year, in order to make more efficient use of the four Sheriff's Deputies and help maintain costs, the Township entered into a cooperative agreement with Superior Township. Under that agreement, we created three patrol districts that cover the two townships and staffed those three districts with the Township's four deputies and with the eight Deputies for which Superior contracts. This arrangement should provide better coverage and response times for Ann Arbor Township during the night and early morning hours. The Township will need to keep a close watch on that agreement to make sure that the cooperation agreement is working for both townships.

The Township continued to work toward its goal of preserving some farmland and open space in the Township. The Township formed a Farmland and Open Space Preservation Committee which is developing a conservation easement to define the Township's relationship with a farmer after the Township purchases the farmer's development rights. The FOSPC held an educational forum regarding PDR's with the goal of helping our farmers understand how they can use PDR and the tax code to maximize their return on PDR sales. The Township began collecting funds under the PDR millage that was approved by the residents at the last general election. The Township is considering bonding the income stream from the millage in order to permit the Township to purchase more land earlier in the program. The Township created a new fund to account for these financial activities.

Tax collections for the Farmland Preservation Fund will be recognized as income in fiscal 2005. In anticipation of this revenue, the Board began researching potential open area acquisitions in 2004 and expended \$36,623 in consultant fees.

The site work that proceeds construction of the new Dixboro Road Bridge over the Huron River and the railroad tracks began this year. The Township is working with the Washtenaw County Road Commission to minimize the disruption to our citizens from this large undertaking. The Township will also look to see if it can save money by placing a water line under Dixboro Road during the time that it is torn up. This line is not needed immediately, but is part of the Township's plan to loop the water system in this area to improve water quality in that part of the Township.

Due to the high premiums for zoning insurance (\$25,000) and the low protection received (\$100,000 total annual coverage) and the high deductible (\$25,000), the Board of Trustees voted to self-insure the Township by reserving \$150,000 in net assets for use, as necessary, in zoning litigation.

The Township conducted an engineering study in preparation for the creation of a Special Assessment District for the Ayshire neighborhood. The study cost \$15,900, which was absorbed by the Township after the residents rejected the creation of a Special Assessment District.

Contacting the Township's Financial Management

This report is designed to provide a general overview of the Township's financial position and comply with finance-related regulations. If you have any further questions about this report or request additional information please contact the Charter Township of Ann Arbor at 3792 Pontiac Trail, Ann Arbor, MI 48105.

BASIC FINANCIAL
STATEMENTS

GOVERNMENT-WIDE
FINANCIAL
STATEMENTS

CHARTER TOWNSHIP OF ANN ARBOR
STATEMENT OF NET ASSETS
DECEMBER 31, 2004

	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business-</u>	
<u>ASSETS</u>	<u>Activities</u>	<u>type</u>	<u>Total</u>
		<u>Activities</u>	
ASSETS			
Cash and investments	\$ 3,887,864	\$ 5,840,644	\$ 9,728,508
Receivables			
Accounts - services, water, sewer		193,470	193,470
Assessments		2,477	2,477
Taxes	1,072,887		1,072,887
Interest	23,530	104,260	127,790
State shared revenues	97,592		97,592
Intergovernmental	544,686	40,000	584,686
Capital assets:			
Land	80,000		80,000
Buildings and improvements	1,947,000		1,947,000
Utility systems		17,804,646	17,804,646
Vehicles and equipment	1,525,802		1,525,802
Less accumulated depreciation	<u>(1,415,573)</u>	<u>(5,800,087)</u>	<u>(7,215,660)</u>
Total assets	<u>7,763,788</u>	<u>18,185,410</u>	<u>25,949,198</u>
<u>LIABILITIES</u>			
LIABILITIES			
Accounts payable	45,585	146,118	191,703
Accounts payable - intergovernmental	45,223	10,599	55,822
Accrued wages/pension	13,566		13,566
Accrued compensated absences	61,972	10,097	72,069
Deferred revenues	<u>1,731,092</u>	<u>17,040</u>	<u>1,748,132</u>
Total liabilities	<u>1,897,438</u>	<u>183,854</u>	<u>2,081,292</u>
<u>NET ASSETS</u>			
NET ASSETS			
Invested in capital assets, net of related debt	2,137,228	12,004,559	14,141,787
Unrestricted	<u>3,729,122</u>	<u>5,996,997</u>	<u>9,726,119</u>
Total net assets	<u>\$ 5,866,350</u>	<u>\$ 18,001,556</u>	<u>\$ 23,867,906</u>

The notes of the financial statements are an integral part of this statement.

CHARTER TOWNSHIP OF ANN ARBOR
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Capital Grants and Contributions</u>
Governmental activities			
General government	\$ (728,792)	\$ 513,061	\$
Fire protection	(1,016,196)	34,683	26,764
Police protection	(330,901)		
Streetlighting	(3,881)	5,693	
Public works	<u>(42,832)</u>	<u></u>	<u></u>
Total governmental activities	<u>(2,122,602)</u>	<u>553,437</u>	<u>26,764</u>
Business-type activities			
Water and sewer systems	<u>(1,345,468)</u>	<u>890,067</u>	<u>752,671</u>
Total	<u>\$ (3,468,070)</u>	<u>\$ 1,443,504</u>	<u>\$ 779,435</u>

General revenues
Property taxes
State shared revenues
Franchise fees
Rental income
Unrestricted investment earnings
Other income

Total general revenues

Changes in net assets

Net assets, January 1, 2004

Net assets, December 31, 2004

The notes of the financial statements are an integral part of this statement.

Net (Expenses) Revenue and Changes Net Assets		
Governmental Activities	Business- type Activities	Total
\$ (215,731)	\$	\$ (215,731)
(954,749)		(954,749)
(330,901)		(330,901)
1,812		1,812
<u>(42,832)</u>		<u>(42,832)</u>
<u>(1,542,401)</u>		<u>(1,542,401)</u>
	297,270	297,270
<u>(1,542,401)</u>	<u>297,270</u>	<u>(1,245,131)</u>
1,171,041		1,171,041
287,320		287,320
88,800		88,800
115,067		115,067
71,812	130,390	202,202
<u>17,548</u>		<u>17,548</u>
<u>1,751,588</u>	<u>130,390</u>	<u>1,881,978</u>
209,187	427,660	636,847
<u>5,657,163</u>	<u>17,573,896</u>	<u>23,231,059</u>
<u>\$ 5,866,350</u>	<u>\$ 18,001,556</u>	<u>\$ 23,867,906</u>

FUND
FINANCIAL
STATEMENTS

CHARTER TOWNSHIP OF ANN ARBOR
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2004

	<u>General</u>	<u>Fire Fund</u>
<u>ASSETS</u>		
ASSETS		
Cash and investments	\$ 2,235,608	\$ 462,035
Accrued interest receivable	23,530	
Taxes receivable	278,926	586,975
State shared revenue receivable	97,592	
Due from other funds	<u>154,761</u>	<u>285,505</u>
Total assets	<u>\$ 2,790,417</u>	<u>\$ 1,334,515</u>
 <u>LIABILITIES AND FUND BALANCE (DEFICIT)</u>		
LIABILITIES		
Accounts payable	\$ 30,300	\$ 8,365
Accrued payroll	9,445	
Accrued pension		4,121
Accrued compensated absences		52,566
Deferred revenue	491,083	872,480
Due to other funds	<u> </u>	<u>3,168</u>
Total liabilities	530,828	940,700
FUND BALANCE (DEFICIT)	<u>2,259,589</u>	<u>393,815</u>
Total liabilities and fund balance (deficit)	<u>\$ 2,790,417</u>	<u>\$ 1,334,515</u>

The notes of the financial statements are an integral part of this statement.

<u>Building Department Fund</u>	<u>Capital Improvement Fund</u>	<u>Farmland Preservation Fund</u>	<u>Other Non-Major Fund</u>	<u>Total</u>
\$ 451,239	\$ 727,217	\$ 7,101	\$ 4,664	\$ 3,887,864
		206,986		23,530
				1,072,887
				97,592
	<u>3,168</u>	<u>101,195</u>	<u>57</u>	<u>544,686</u>
<u>\$ 451,239</u>	<u>\$ 730,385</u>	<u>\$ 315,282</u>	<u>\$ 4,721</u>	<u>\$ 5,626,559</u>
\$ 2,876	\$	\$ 3,723	\$ 321	\$ 45,585
				9,445
				4,121
9,406				61,972
29,739	29,608	308,182		1,731,092
<u>2,055</u>		<u>40,000</u>		<u>45,223</u>
44,076	29,608	351,905	321	1,897,438
<u>407,163</u>	<u>700,777</u>	<u>(36,623)</u>	<u>4,400</u>	<u>3,729,121</u>
<u>\$ 451,239</u>	<u>\$ 730,385</u>	<u>\$ 315,282</u>	<u>\$ 4,721</u>	<u>\$ 5,626,559</u>

CHARTER TOWNSHIP OF ANN ARBOR
RECONCILIATION OF STATEMENT OF NET ASSETS
OF GOVERNMENTAL FUNDS TO THE BALANCE SHEET
DECEMBER 31, 2004

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Total fund balance per balance sheet		\$ 3,729,121
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:		
Historical cost	\$ 3,552,802	
Depreciation	<u>(1,415,573)</u>	
Capital assets net of depreciation		<u>2,137,229</u>
Net assets of governmental activities		<u>\$ 5,866,350</u>

The notes of the financial statements are an integral part of this statement.

CHARTER TOWNSHIP OF ANN ARBOR
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	General Fund	Fire Fund	Building Department Fund
REVENUES			
Taxes	\$ 336,737	\$ 834,304	\$
Tax collection fees	123,510		
State revenue sharing	287,320		
Special assessments			
Fees and service	21,593		
Cable franchise fees	88,800		
Metro fees	5,534		
Annexation fees	2,200		
Fines	2,524		
Service contract	110,427		
Building permits			185,571
Grant		26,764	
Charges for services		34,683	
Reimbursements	8,818		
Interest	55,693	5,733	2,386
Penalties and interest	1,181		
Rental income	45,145		
Miscellaneous	<u>2,420</u>	<u>129</u>	<u></u>
Total revenues	<u>1,091,902</u>	<u>901,613</u>	<u>187,957</u>
EXPENDITURES			
Board of trustees	20,719		
Supervisor	85,528		
Accounting and audit	13,132		
Election	10,170		
Assessor	53,748		
Legal counsel	50,729		
Clerk	100,920		
Board of review	85		
Treasurer	70,157		
Buildings and grounds	15,738		
Central charges	70,481		
Sheriff department	330,901		
Planning commission	36,833		
Zoning board of appeals	27,422		
Consultants	2,491		
Roads	6,195		
Other	12,748		
Fire protection		852,045	
Building department			138,641
Street lighting			
Capital improvement			
Farmland preservation			
Total expenditures	<u>907,997</u>	<u>852,045</u>	<u>138,641</u>
Excess of revenues over (under) expenditures	183,905	49,568	49,316
FUND BALANCE, JANUARY 1, 2004	<u>2,075,684</u>	<u>344,247</u>	<u>357,847</u>
FUND BALANCE (DEFICIT), DECEMBER 31, 2004	<u>\$ 2,259,589</u>	<u>\$ 393,815</u>	<u>\$ 407,163</u>

The notes of the financial statements are an integral part of this statement.

PFEFFER, HANNIFORD & PALKA

Certified Public Accountants

<u>Capital Improvement Fund</u>	<u>Farmland Preservation Fund</u>	<u>Other Non-Major Fund</u>	<u>Total</u>
\$	\$	\$	\$1,171,041
			123,510
			287,320
		5,693	5,693
			21,593
			88,800
			5,534
			2,200
			2,524
61,702			172,129
			185,571
			26,764
			34,683
			8,818
7,986	14		71,812
			1,181
69,922			115,067
<u>5,000</u>			<u>7,549</u>
<u>144,610</u>	<u>14</u>	<u>5,693</u>	<u>2,331,789</u>
			20,719
			85,528
			13,132
			10,170
			53,748
			50,729
			100,920
			85
			70,157
			15,738
			70,481
			330,901
			36,833
			27,422
			2,491
			6,195
			12,748
			852,045
			138,641
		3,881	3,881
51,693			51,693
	<u>36,637</u>		<u>36,637</u>
<u>51,693</u>	<u>36,637</u>	<u>3,881</u>	<u>1,990,894</u>
92,917	(36,623)	1,812	340,895
<u>607,860</u>		<u>2,588</u>	<u>3,388,226</u>
<u>\$ 700,777</u>	<u>\$ (36,623)</u>	<u>\$ 4,400</u>	<u>\$3,729,121</u>

CHARTER TOWNSHIP OF ANN ARBOR
 RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2004

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances – governmental funds	\$ 340,895
Governmental funds report capital outlay as expenditures. However, In the Statement of Activities the cost of those assets is allocated over their useful lives as depreciation expense. The amount by which depreciation exceeded capital outlays is as follows:	
Capital outlay	\$ 51,693
Depreciation expense	<u>(183,401)</u>
Total	<u>(131,708)</u>
Change in net assets of governmental activities	<u>\$ 209,187</u>

The notes of the financial statements are an integral part of this statement.

CHARTER TOWNSHIP OF ANN ARBOR
STATEMENT OF NET ASSETS
WATER AND SEWER FUND
DECEMBER 31, 2004

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 3,695,686
Accounts Receivables	193,470
Special assessments receivable	2,477
Interest receivable	104,260
Due from other funds	<u>40,000</u>

Total current assets \$ 4,035,893

RESTRICTED ASSETS

Investments 2,144,958

PROPERTY, PLANT AND EQUIPMENT

Water and sewer system	15,092,124
Equipment	<u>2,712,522</u>

Total 17,804,646

Less accumulated depreciation 5,800,087

Net property, plant and equipment 12,004,559

Total assets 18,185,410

LIABILITIES

CURRENT LIABILITIES

Accounts payable	146,118
Accrued connection fees	17,040
Accrued compensated absences and pension	10,097
Due to other funds	<u>10,599</u>

Total current liabilities 183,854

NET ASSETS

NET ASSETS

Invested in capital assets	12,004,559
Unrestricted	<u>5,996,997</u>

Total net assets \$18,001,556

The notes of the financial statements are an integral part of this statement.

CHARTER TOWNSHIP OF ANN ARBOR
STATEMENT OF REVENUES AND EXPENSES
WATER AND SEWER FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Total</u>
OPERATING REVENUES	
Charges for services and meters	<u>\$ 871,969</u>
OPERATING EXPENSES	
Purchases of services	672,234
Wages	69,022
Insurance – employees	18,319
Pension	5,324
Payroll taxes	5,128
Office	537
Printing	1,391
Gasoline and diesel	1,132
Consultants	22,475
Legal and accounting	28,067
Dues and memberships	390
Meter equipment	2,543
Service contracts	9,853
Utilities and telephone	14,044
Insurance and bonds	16,885
Repairs and maintenance	52,526
Building and office allocation	4,980
Small equipment	9,938
Loss on projects	15,900
Other operating expenses	<u>888</u>
Total operating expenses	<u>951,576</u>
Operating (loss)	<u>(79,607)</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest income - special assessments	2,961
Interest income - investments	127,429
Benefit charges and connections fees	18,098
Connection services (expense)	(17,410)
Depreciation (expense)	<u>(376,482)</u>
Total other revenues/expenses	<u>(245,404)</u>
Change in net assets before capital contributions	(325,011)
CAPITAL CONTRIBUTIONS	
Developer contributions - fixed asset adjustment	<u>752,671</u>
Change in net assets	<u>427,660</u>
Net Assets , January 1, 2004	<u>17,573,896</u>
Net Assets, December 31, 2004	<u>\$ 18,001,556</u>
The notes of the financial statements are an integral part of this statement.	

CHARTER TOWNSHIP OF ANN ARBOR
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2004

CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES

Receipts from customers	\$ 774,890
Paid to employees	(69,022)
Payments to vendors	<u>(489,831)</u>

Net cash from operating activities \$ 216,037

CASH FLOWS FROM (USED - IN) CAPITAL AND RELATED
FINANCING ACTIVITIES

Special assessment interest	2,961
Benefit charge net	(17,728)
Acquisition of property, plant and equipment	(44,540)
Transfers to investments	<u>(3,020)</u>

Net cash (used in) capital and related
financing activities (62,327)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income 127,429

Increase in cash 281,139

CASH AT JANUARY 1, 2004 3,414,547

CASH AT DECEMBER 30, 2004 \$ 3,695,686

RECONCILIATION OF OPERATING INCOME
TO NET CASH FROM (USED IN) OPERATING ACTIVITIES

Operating (loss)	\$ (79,607)
Adjustments to reconcile operating (loss) to net cash from (used in) operating activities	
Miscellaneous income	
Depreciation expense	376,482
Changes in assets and liabilities	
Receivables, net	(97,079)
Accounts and other payables	<u>16,241</u>

Net cash provided by operating activities \$ 216,037

The notes of the financial statements are an integral part of this statement.

NOTES
TO
FINANCIAL
STATEMENTS

CHARTER TOWNSHIP OF ANN ARBOR
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Charter Township of Ann Arbor was incorporated August 11, 1986, under the provision of Act 359 of the Public Acts of 1947, as amended. The policies of the Charter Township of Ann Arbor conform to generally accepted accounting principles as applicable to governments.

The accounting and reporting policies of the Township relating to the funds and account groups included in the accompanying combined financial statements conform to generally accepted accounting principles applicable to state and local governments. The more significant accounting policies of the Township are described below.

A. BASIC FINANCIAL STATEMENTS

In accordance with GASB Statement No. 34 - *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements (Statement of Net Assets and Statement of Activities) report on the Township as a whole, excluding fiduciary activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All activities, both governmental and business-type, are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables as well as long-term debt and obligations. The government-wide financial statements focus more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

Generally, the effect of interfund activity has been removed from the government-wide financial statements. Net interfund activity and balances between governmental activities and business-type activities are shown in the government-wide financial statements.

The government-wide Statement of Net Assets reports all financial and capital resources of the Township (excluding fiduciary funds). It is displayed in a format of assets less liabilities equals net assets, with the assets and liabilities shown in order of their relative liquidity. Net assets are required to be displayed in three components: 1) invested in capital assets, net of related debt, 2) restricted, and 3) unrestricted. Invested in capital assets, net of related debt is capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net assets are those with constraints placed on their use by either: 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations or other governments, or 2) imposed by law through constitutional provisions or enabling legislation. All net assets not otherwise classified as restricted, are shown as unrestricted. Generally the Township would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

CHARTER TOWNSHIP OF ANN ARBOR
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

The Government-Wide Statement of Activities demonstrates the degree to which both direct and indirect expenses of the various functions and programs of the Township are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Indirect expenses for administrative overhead are allocated among the functions and activities using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Interest on general long-term debt is not allocated to the various functions. Program revenues include: 1) charges to customers or users who purchase, use or directly benefit from goods, services or privileges provided by a particular function or program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes, unrestricted investment income and other revenues not identifiable with particular functions or programs are included as general revenues. The general revenues support the net costs of the functions and programs not covered by program revenues.

Also, part of the basic financial statements are fund financial statements for governmental funds and proprietary funds. The focus of the fund financial statements is on major funds, as defined by GASB Statement No. 34. Although this reporting model sets forth minimum criteria for determination of major funds (a percentage of assets, liabilities, revenues, or expenditures/expenses of fund category and of the governmental and enterprise funds combined), it also gives governments the option of displaying other funds as major funds. Other non-major funds, are combined in a single column on the fund financial statements.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire Fund accounts for all the activity associated with providing fire protection services. This fund is primarily supported through the collection of property taxes.

The Building Construction Fund accounts for the activity associated with the operating of the building department.

The Capital Improvement Fund accounts for the savings for future capital improvements.

The Farmland Preservation Fund was created to account for funds used to preserve/maintain the Township's farmland.

The Township reports the following major proprietary fund:

The Sewer and Water Fund accounts for all the activity associated with the operations and maintenance of operating a treatment system.

CHARTER TOWNSHIP OF ANN ARBOR
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The governmental fund financial statements are prepared on a current financial resources measurement focus and modified accrual basis of accounting. To conform to the modified accrual basis of accounting, certain modifications must be made to the accrual method. These modifications are outlined below:

- A. Revenue is recorded when it becomes both measurable and available (received within 60 days after year-end). Revenue considered susceptible to accrual includes: property taxes, sales and use taxes, transient occupancy taxes, licenses, fees and permits, intergovernmental revenues, charges for services, fines, forfeits and penalties, and interest.
- B. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.
- C. Disbursements for the purchase of capital assets providing future benefits are considered expenditures. Bond proceeds are reported as another financing source.

With this measurement focus, operating statements present increases and decreases in net current assets and unreserved fund balance as a measure of available resources.

This is the traditional basis of accounting for governmental funds and also is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to: 1) demonstrate legal and covenant compliance, 2) demonstrate the sources and uses of liquid resources, and 3) demonstrate how the Township's actual revenues and expenditures conform to the annual budget. Since the governmental funds financial statements are presented on a different basis than the governmental activities column of the government-wide financial statements, a reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

The proprietary funds financial statements are prepared on the same basis (economic resources measurement focus and accrual basis of accounting) as the government-wide financial statements. Therefore, most lines for the total enterprise funds on the proprietary funds financial statements will directly reconcile to the business-type activities column on the government-wide financial statements. Because the enterprise funds are combined into a single business-type activities column on the government-wide financial statements, certain interfund activities between these funds are eliminated in the consolidation for the government-wide financial statements, but are included in the fund columns in the proprietary funds financial statements.

CHARTER TOWNSHIP OF ANN ARBOR
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

Proprietary funds account for operations where the intent of the Township is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Under GASB Statement No. 34, enterprise funds are also required for any activity whose principal revenue sources meet any of the following criteria: 1) any activity that has issued debt backed solely by the fees and charges of the activity, 2) if the cost of providing services for any activity, including capital costs such as depreciation or debt service, must legally be recovered through fees and charges of the activity, or 3) it is the policy of the Township to establish activity fees or charges to recover the cost of providing services, including capital costs.

On the proprietary funds financial statements, operating revenues are those that flow directly from the operations of the activity, i.e. charges to customers or users who purchase or use the goods or services of that activity. Operating expenses are those that are incurred to provide those goods or services. Non-operating revenues and expenses are items such as investment income and interest expense that are not a result of the direct operations of the activity.

Under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Township has elected for proprietary funds not to apply Financial Accounting Standards Board statements issued after November 30, 1989.

Fiduciary funds account for assets held by the Township in a trustee or agency capacity on behalf of others and, therefore, are not available to support Township programs. Fiduciary funds are not included in the government-wide financial statements as they are not an asset of the Township available to support Township programs. The Township currently maintains an agency fund to account for the monies collected and paid on behalf of developer's escrow accounts.

C. CAPITAL ASSETS

Under GASB Statement No. 34, all capital assets, whether owned by governmental activities or business-type activities are recorded and depreciated in the government-wide financial statements. No long-term capital assets or depreciation are shown in the governmental funds financial statements.

Capital assets, including public domain infrastructure (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the Township) are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life greater than one year. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation. Real property are considered capital assets regardless of initial cost.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

CHARTER TOWNSHIP OF ANN ARBOR
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings, structures and improvements	5 to 50 years
Utility plant	5 to 50 years
Machinery and equipment	2 to 40 years
Infrastructure	25 to 75 years

Capital assets transferred between funds are transferred at their net book value (cost less accumulated depreciation), as of the date of the transfer.

D. ACCRUED COMPENSATED ABSENCES

The Township has recorded a liability for compensated absences of the fire department. The policies regarding compensated absences are outlined in the Township's "Rules of Employment".

E. BUDGETARY DATA

The board of trustees follow the procedures as outlined in the Uniform Budgeting Manual for Local Units of Government in Michigan in the establishment of the various annual budgets.

The supervisor prepares the annual budgets through information received by the clerk's office. The proposed budget is then submitted for discussion and approved by the entire Township board. The budget is approved by activity rather than line item. If and when it becomes necessary to amend certain amounts in the budget, a proposal outlining the desired changes is made to and approved by the Township board at any of their regular meetings. Budget appropriations made, but not expended by year end, will lapse with the fiscal year end.

F. PROPERTY TAXES

Property tax revenues are recognized in the fiscal year, subsequent year, for which the taxes are levied. Property taxes are levied on December 1 each year. These taxes become liens on the property at that date. These taxes are due on February 14, with the final collection date of February 28. The delinquent real property taxes of the Township are purchased by Washtenaw County. The county sold tax notes, the proceeds of which will be used to pay the township for these property taxes. This has yet to take place. The 2003 adjusted taxable value of the Township totaled \$406,980,255. The township levies the following millage:

General township	.8042
Fire	<u>1.7967</u>
Total millage	<u>2.6009</u>

CHARTER TOWNSHIP OF ANN ARBOR
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The 2004 taxable value of the township totaled \$428,738,198. The township levied the following millage that will be recognized in 2005.

General township	.7998
Fire	1.9817
Farmland preservation	<u>.7000</u>
Total millage	<u>3.4815</u>

Michigan personal property tax assessments have been based, since the 1960's, on the use of one or more different multiplier tables formulated by the State Tax Commission against taxpayer reported original cost, depending on the assessor's view of the average life of the personal property. The State Tax Commission has indicated that it plans to reformulate the multipliers. The State Tax Tribunal has informally indicated that once the new multipliers are approved, it may allow them to be applied retroactively in pending personal property tax appeals.

G. OTHER FINANCING SOURCES (USES)

The transfers of cash between the various funds are budgeted but reported separate from revenues and expenditures as transfers in or (out) unless they represent temporary advances that are to be repaid, in which case they are carried as assets or liabilities of the advancing or borrowing fund.

H. INVESTMENTS

Investments are stated at lower of cost or market.

I. TOTAL COLUMNS ON STATEMENTS - OVERVIEW

Total columns on the statements which combine more than one fund – (overview) are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

J. MANAGEMENT'S ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CHARTER TOWNSHIP OF ANN ARBOR
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 2 - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal Agency obligation repurchase agreements; bankers acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The Township's deposits are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Township's deposits are as follows:

The Township maintains a petty cash account in the amount of \$150.

<u>Deposits</u>	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Total</u>	<u>Bank Balance</u>
Insured	\$ 742,004	\$	\$ 742,004	\$ 742,004
Uninsured and uncollateralized	<u>8,986,504</u>	<u>2,713,706</u>	<u>11,700,210</u>	<u>11,823,442</u>
Total deposits	<u>\$ 9,728,508</u>	<u>\$ 2,713,706</u>	<u>\$ 12,442,214</u>	<u>\$ 12,565,446</u>

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the governmental funds for the year ended December 31, 2004 was as follows:

	<u>Balance 1/1/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 12/31/04</u>
General government	\$ 492,500	\$	\$	\$ 492,500
Building fund	43,000			43,000
Fire protection	<u>2,965,608</u>	<u>51,694</u>		<u>3,017,302</u>
Total capital assets	3,501,108	51,694		3,552,802
Accumulated depreciation	<u>(1,232,172)</u>	<u>(183,401)</u>		<u>(1,415,573)</u>
Governmental funds capital assets, net	<u>\$ 2,268,936</u>	<u>\$ (131,707)</u>	<u>\$</u>	<u>\$ 2,137,229</u>

CHARTER TOWNSHIP OF ANN ARBOR
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 3 – CAPITAL ASSETS (continued)

Depreciation expense is being recorded in the government-wide statement of activities based upon the fund and activity utilizing the assets. The Township utilizes the straight line method to depreciate capital assets over their estimated useful lives.

Depreciation expense was distributed to the various activities as follows:

General government	\$ 10,650
Fire protection	164,151
Building department	<u>8,600</u>
Total	<u>\$ 183,401</u>

A summary of changes in fixed assets and depreciation for the enterprise fund is as follows:

	<u>WATER & SEWER</u>		
	<u>Balance 1/1/04</u>	<u>Additions</u>	<u>Balance 12/31/04</u>
Sewer system	\$ 5,591,003	\$ 408,482	\$ 5,999,485
Water system	8,748,450	344,189	9,092,639
Utility equipment	<u>2,667,982</u>	<u>44,540</u>	<u>2,712,522</u>
Total capital assets	17,007,435	797,211	17,804,646
Accumulated depreciation	<u>(5,423,605)</u>	<u>(376,482)</u>	<u>(5,800,087)</u>
Water and sewer activities capital assets, net	<u>\$ 11,583,830</u>	<u>\$ 420,729</u>	<u>\$ 12,004,559</u>

Depreciation is charged as an expense against operations.

Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Water and Sewer Systems	50 years
Equipment	5 & 10 years

During 2004 the Township had an engineering study conducted to measure and account for all water and sewer fixed assets including the distribution/collection systems. It appears that in prior years, developers' contributions (transfer of water and sewer lines and other various assets) to the Township were not recorded. The net adjustment added \$752,671 to fixed assets and net income.

CHARTER TOWNSHIP OF ANN ARBOR
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables exist at December 31, 2004. These represent short-term borrowings and amounts owed for reimbursements between other funds.

As of December 31, 2004 the following interfund balances were still payable.

	<u>Interfund Receivable</u>		<u>Interfund Payable</u>
General Fund	\$ 10,599	Water and Sewer	\$ 10,599
General Fund	2,055	Building Fund	2,055
General Fund	500	Trust and Agency Fund	500
General Fund	374	Payroll Fund	374
Fire Fund	285,505	Tax Collection Fund	285,505
Streetlights	57	Tax Collection Fund	57
General Fund	138,134	Tax Collection Fund	138,134
General Fund	3,099	Escrow Fund	3,099
Capital Improvement Fund	3,168	Fire Fund	3,168
Farmland Preservation	101,195	Tax	101,195
Water and Sewer	<u>40,000</u>	Farmland Preservation	<u>40,000</u>
Total	<u>\$ 584,686</u>	Total	<u>\$ 584,686</u>

NOTE 5 - STATEMENT OF CASH FLOWS

Pursuant to the Governmental Accounting Standards Board (GASB) statement number 9, a statement of cash flows is presented. The purpose of the statement of cash flows is to explain the change in cash and cash equivalents during the year. Cash equivalents are defined as short-term, highly liquid investments with original maturities of three months or less. The direct method was utilized to represent cash flows from operations. The following is a schedule of beginning and ending cash and cash equivalents:

	<u>12/31/03</u>	<u>12/31/04</u>
Current assets		
Cash and cash equivalents	<u>\$ 3,414,547</u>	<u>\$ 3,695,686</u>

CHARTER TOWNSHIP OF ANN ARBOR
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 6 - PENSION PLAN - DEFINED CONTRIBUTION PLAN

On May 15, 1989, the Charter Township of Ann Arbor signed a single employer defined contribution pension plan and trust agreement with Massachusetts Mutual Life Insurance Company in order to establish a pension plan which will provide retirement and incidental life insurance benefits for its employees. The effective date of this plan was August 1, 1989.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits a participant will receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account and the returns on the investments of those contributions.

Employees currently eligible for participation in the plan include all officers of the Charter Township of Ann Arbor including the Supervisor, Treasurer and Clerk and all Township employees who are employed at least twenty hours per week on a regular basis.

Employees currently eligible must be eighteen years of age. Hours of service is computed on the basis of actual hours for which an employee is paid or entitled payment.

No pension provision changes occurred during the year that affected the required contributions to be made.

There are no investments in, loans to, or leases with parties to pension plan or plan officials.

The plan year is January 1 through December 31.

In the event of termination of employment or participation of a participant prior to his or her normal retirement age, the vested interest in that portion of his or her participant's account derived from employer contributions is 100%.

The township is required to contribute 10% of compensation per participant. There is no mandatory employee contribution.

Normal retirement age of a participant shall be his sixty-fifth birthday. Retirement prior to normal retirement age will be permitted upon the attainment of age fifty-five and the completion of one year of service.

CHARTER TOWNSHIP OF ANN ARBOR
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 6 - PENSION PLAN - DEFINED CONTRIBUTION PLAN – (continued)

A summary of the most recent available plan's activity for the period January 1, 2004 to December 31, 2004 is as follows:

BALANCE IN GUARANTEED ACCOUNT, JANUARY 1, 2004	\$ 806,491
Contributions	70,583
Investment Income	<u>102,770</u>
 BALANCE IN GUARANTEED ACCOUNT, DECEMBER 31, 2004	 <u>\$ 979,844</u>

The Township made contributions totaling \$70,583 for the year ended December 31, 2004. Total covered payroll was \$712,617 and total payroll was \$802,497 for the year ended December 31, 2004.

NOTE 7 - POLICY STATEMENT WITH THE CITY OF ANN ARBOR

The Township and the City of Ann Arbor have entered into negotiations which provide for the annexation of certain Township properties into the city so that each community may systematically plan for the provision of services to its areas. The negotiations will affect the Township's tax base. A final estimate of the affects has not been determined yet. The potential decrease in the Township's tax base could be significant.

NOTE 8 - SEGMENT INFORMATION FOR ENTERPRISE FUND

The Township maintains a proprietary fund which is financed by user charges. Segment information as of December 31, 2004 follows:

	<u>Water and Sewer System</u>
Operating revenues	\$ 871,969
Depreciation	376,482
Operating (loss)	(79,607)
Interest and other non-operating revenues and (expenses)	(245,404)
Change in net assets	427,660
 Current assets	 4,035,893
Current liabilities	183,854
Net working capital	3,852,039
 Total assets	 18,185,410
Total liabilities	183,854
Net assets	18,001,556

CHARTER TOWNSHIP OF ANN ARBOR
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 9 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

As mentioned in Note #10, the Township is also exposed to losses relating to litigation of zoning issues. Due to the high premiums for zoning insurance (\$25,000 annually) and the low protection received (\$100,000 limited annual coverage with a \$25,000 deductible) the Township Board approved to self insure the Township for zoning litigation. For 2004, \$150,000 of the general fund's fund balance was reserved for zoning litigation.

NOTE 10 - CONTINGENCIES

The Township is involved in various legal actions arising in the normal course of business, mostly related to zoning issues. Management is of the opinion the various legal actions will not have a material effect upon the financial statements.

NOTE 11 – IMPLEMENTATION OF GASB STATEMENT NO. 34

The Township has implemented the standards required by GASB Statement No. 34 for the year ended December 31, 2004. All required statements and disclosures have been included in the basic financial statements.

NOTE 12 – DEFICIT ELIMINATION PLAN

A deficit occurred in the Farmland Preservation Fund totaling \$36,623 for the year ended December 31, 2004.

NOTE 13 – FEDERAL GRANT ACTIVITIES

The Township has been a recipient of a federal grant for capital equipment for fire protection. There was \$26,764 received in the current year. However, these funds and funds received in a prior year may still be subject to federal grant audit requirements.

CHARTER TOWNSHIP OF ANN ARBOR
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

**NOTE 14 – RECONCILIATION OF FUND FINANCIAL STATEMENTS
TO GOVERNMENT – WIDE FINANCIAL STATEMENTS**

Amounts reported for governmental activities in the Statement of Net Assets
are different because:

Total fund balance per balance sheet	\$ 3,729,121
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Historical cost	\$3,552,802
Depreciation	<u>(1,415,573)</u>
Capital assets net of depreciation	<u>2,137,229</u>
Net assets of governmental activities	<u>\$ 5,866,350</u>

Amounts reported for governmental activities in the Statement of Activities
are different because:

Net change in fund balances – governmental funds	\$ 340,895
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their useful lives as depreciation expense. The amount by which capital outlays exceeded depreciation is as follows:	
Capital outlay	\$ 51,693
Depreciation expense	<u>(183,401)</u>
Total	<u>(131,708)</u>
Change in net assets of governmental activities	<u>\$ 209,187</u>

REQUIRED
SUPPLEMENTARY
INFORMATION

CHARTER TOWNSHIP OF ANN ARBOR
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2004

	Budgets			Variance with Final Budget Over (Under)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 329,000	\$ 336,837	\$ 336,737	\$ (100)
Tax collection fees	142,000	123,510	123,510	
State revenue sharing	320,000	298,137	287,320	(10,817)
Planning commission fees	9,700	4,500	6,800	2,300
Zoning board of appeals	1,350	2,250	2,250	
Fees and services	7,500	7,500	12,543	5,043
Cable TV – franchise fees	60,000	88,000	88,800	800
Metro fees		15,000	5,534	(9,466)
Annexation fees	3,000	3,000	2,200	(800)
Sale of books, maps, etc.	750	750	718	(32)
Fines and tickets	3,000	3,000	2,524	(476)
Interest	75,000	50,000	55,693	5,693
Penalties and interest	1,000	1,000	1,181	181
Rental income	44,000	44,000	45,145	1,145
Miscellaneous	7,000	7,000	1,702	(5,298)
Reimbursements			8,818	8,818
Police services contract	108,000	110,000	110,427	427
Total revenues	1,111,300	1,094,484	1,091,902	(2,582)
EXPENDITURES				
Board of Trustees	22,800	22,800	20,719	2,081
Supervisor	88,700	95,600	85,528	10,072
Accounting and audit	10,500	16,500	13,132	3,368
Election	21,000	11,000	10,170	830
Assessor	63,900	63,900	53,748	10,152
Legal counsel	154,500	51,000	50,729	271
Clerk	93,200	103,700	100,920	2,780
Board of review	1,000	1,000	85	915
Treasurer	63,000	77,200	70,157	7,043
Buildings and grounds	19,100	20,200	15,738	4,462
Central charges	105,100	96,600	70,481	26,119
Sheriff department	359,000	359,000	330,901	28,099
Planning commission	15,000	41,000	36,833	4,167
Zoning board of appeals	24,900	27,900	27,422	478
Consultants	15,500	5,000	2,491	2,509
Roads	50,000	7,500	6,195	1,305
Other	4,100	14,000	12,748	1,252
Total expenditures	1,111,300	1,013,900	907,997	105,903
Excess of revenues over (under) expenditures		80,584	183,905	103,321
FUND BALANCE, JANUARY 1, 2004	2,075,684	2,075,684	2,075,684	
FUND BALANCE, DECEMBER 31, 2004	\$ 2,075,684	\$ 2,156,268	\$ 2,259,589	\$ 103,321

CHARTER TOWNSHIP OF ANN ARBOR
FIRE FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2004

	Budgets		Actual	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES				
Taxes	\$	\$	\$ 834,304	\$
Grant			26,764	
Charges for services			34,683	
Miscellaneous			129	
Interest			5,733	
Total revenues	<u>826,000</u>	<u>862,700</u>	<u>901,613</u>	<u>38,913</u>
EXPENDITURES				
Department head - wages			63,945	
Permanent - salaries			342,873	
Part time – wages			55,017	
Holiday, sick and vacation – wages			23,000	
Medical			73,162	
Life insurance			11,360	
Dental insurance			7,391	
Pension			41,402	
Payroll taxes			35,929	
Employment physicals			1,255	
Office supplies			626	
Printing and binding			148	
Fire fighting supplies			10,259	
Uniform allowances			1,353	
Gasoline			6,327	
Janitorial supplies			1,341	
Audit			1,400	
Subscriptions and books			243	
Membership and dues			1,140	
Legal			2,055	
Service contracts			15,249	
Telephone			3,017	
Convention and conferences			137	
Insurance and bonds			59,207	
Electricity			9,659	
Heating			3,961	
Repairs and maintenance – building			5,014	
Repairs and maintenance - equipment			25,253	
Ground care maintenance			104	
Training and improvements			3,684	
Tax refund			5,996	
Small equipment			8,745	
Grant expenses			30,184	
Office furniture and equipment			1,089	
Miscellaneous			520	
Total expenditures	<u>815,000</u>	<u>850,500</u>	<u>852,045</u>	<u>(1,545)</u>
Excess of revenues over (under) expenditures	11,000	12,200	49,568	37,368
FUND BALANCE, JANUARY 1, 2004	<u>344,247</u>	<u>344,247</u>	<u>344,247</u>	
FUND BALANCE, DECEMBER 31, 2004	<u>\$ 355,247</u>	<u>\$ 356,447</u>	<u>\$ 393,815</u>	<u>\$ 37,368</u>

CHARTER TOWNSHIP OF ANN ARBOR
BUILDING DEPARTMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2004

	Budgets			Variance with Final Budget Over (Under)
	Original	Final	Actual	
REVENUES				
Building permits	\$	\$	\$ 185,571	\$
Interest income			2,386	
Total revenues	131,900	131,900	187,957	56,057
EXPENDITURES				
Department head			54,680	
Salary – permanent			21,690	
Medical			5,809	
Life insurance			2,222	
Dental			1,287	
Pension			6,315	
Payroll taxes			5,382	
Office supplies			553	
Gasoline and diesel			861	
Audit			500	
Subscriptions and books			1,452	
Membership and dues			1,004	
Service contracts			17,125	
Telephone			621	
Conventions and conferences			45	
Insurance			1,106	
Equipment repair and maintenance			603	
Miscellaneous			24	
Building and grounds allocation			3,449	
Central charges allocation			13,913	
Total expenditures	129,450	145,750	138,641	7,109
Excess of revenues over (under) expenditures	2,450	(13,850)	49,316	63,166
FUND BALANCE, JANUARY 1, 2004	357,847	357,847	357,847	
FUND BALANCE, DECEMBER 31, 2004	\$ 360,297	\$ 343,997	\$ 407,163	\$ 63,166

CHARTER TOWNSHIP OF ANN ARBOR
CAPITAL IMPROVEMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2004

	Budgets			Variance with Final Budget Over (Under)
	Original	Final	Actual	
REVENUES				
Service contract	\$	\$	\$ 61,702	\$
Surplus property			5,000	
Interest			7,986	
Rental income			<u>69,922</u>	
Total revenues	139,160	137,560	144,610	7,050
EXPENDITURES				
Capital outlay	<u>57,400</u>	<u>57,400</u>	<u>51,693</u>	<u>5,707</u>
Excess of revenues over (under) expenditures	81,760	80,160	92,917	12,757
FUND BALANCE, JANUARY 1, 2004	<u>607,860</u>	<u>607,860</u>	<u>607,860</u>	
FUND BALANCE, DECEMBER 31, 2004	<u>\$ 689,620</u>	<u>\$ 688,020</u>	<u>\$ 700,777</u>	<u>\$ 12,757</u>

CHARTER TOWNSHIP OF ANN ARBOR
FARMLAND PRESERVATION FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2004

	Budgets			Variance with Final Budget Over (Under)
	Original	Final	Actual	
REVENUES				
Interest	\$	\$	14	14
EXPENDITURES				
Legal fees			15,240	
Service contracts			21,331	
Advertising			66	
Total expenditures		40,100	36,637	3,463
Excess of revenues over (under) expenditures		(40,100)	(36,623)	3,477
FUND BALANCE, JANUARY 1, 2004				
FUND BALANCE (DEFICIT), DECEMBER 31, 2004	\$	\$ (40,100)	\$ (36,623)	\$ 3,477

SUPPLEMENTARY
INFORMATION

COMBINING
FINANCIAL
STATEMENTS

CHARTER TOWNSHIP OF ANN ARBOR
COMBINING BALANCE SHEET
ALL SPECIAL REVENUE FUNDS
DECEMBER 31, 2004

	<u>Fire Fund</u>	<u>Building Department Fund</u>	<u>Street Lighting Fund</u>
<u>ASSETS</u>			
ASSETS			
Cash and investments	\$ 462,035	\$ 451,239	\$ 4,664
Taxes receivable	586,975		
Due from other funds	<u>285,505</u>	<u> </u>	<u>57</u>
Total assets	<u>\$ 1,334,515</u>	<u>\$ 451,239</u>	<u>\$ 4,721</u>
<u>LIABILITIES AND FUND BALANCE</u>			
LIABILITIES			
Accounts payable	\$ 8,365	\$ 2,876	\$ 321
Accrued pension	4,121		
Accrued compensated absences	52,566	9,406	
Deferred revenue	872,480	29,739	
Due to other funds	<u>3,168</u>	<u>2,055</u>	<u> </u>
Total liabilities	940,700	44,076	321
FUND BALANCE (DEFICIT)	<u>393,815</u>	<u>407,163</u>	<u>4,400</u>
Total liabilities and fund equity (deficit)	<u>\$ 1,334,515</u>	<u>\$ 451,239</u>	<u>\$ 4,721</u>

<u>Capital Improvement Fund</u>	<u>Farmland Preservation Fund</u>	<u>Totals</u>
\$ 727,217	\$ 7,101	\$ 1,652,256
	206,986	793,961
<u>3,168</u>	<u>101,195</u>	<u>389,925</u>
<u>\$ 730,385</u>	<u>\$ 315,282</u>	<u>\$ 2,836,142</u>

\$	\$ 3,723	\$ 15,285
		4,121
		61,972
29,608	308,182	1,240,009
<u></u>	<u>40,000</u>	<u>45,223</u>
29,608	351,905	1,366,610
<u>700,777</u>	<u>(36,623)</u>	<u>1,469,532</u>
<u>\$ 730,385</u>	<u>\$ 315,282</u>	<u>\$ 2,836,142</u>

CHARTER TOWNSHIP OF ANN ARBOR
COMBINING BALANCE SHEET
ALL FIDUCIARY FUNDS
DECEMBER 31, 2004

	<u>Escrow Fund</u>	<u>Payroll Fund</u>	<u>Tax Collection Fund</u>	<u>Trust and Agency Fund</u>	<u>Total</u>
<u>ASSETS</u>					
ASSETS					
Cash and investments	\$ 193,044	\$ 581	\$ 2,519,580	\$ 500	\$ 2,713,705
Due from others	<u>10,358</u>	<u>29</u>	<u> </u>	<u> </u>	<u>10,387</u>
Total assets	<u>\$ 203,402</u>	<u>\$ 610</u>	<u>\$ 2,519,580</u>	<u>\$ 500</u>	<u>\$ 2,724,092</u>
 <u>LIABILITIES</u>					
LIABILITIES					
Accounts payable	\$ 8,963	\$ 236	\$	\$	\$ 9,199
Due to other funds	3,099	374	524,891	500	528,864
Due to others	<u>191,340</u>	<u> </u>	<u>1,994,689</u>	<u> </u>	<u>2,186,029</u>
Total liabilities	<u>\$ 203,402</u>	<u>\$ 610</u>	<u>\$ 2,519,580</u>	<u>\$ 500</u>	<u>\$ 2,724,092</u>

CHARTER TOWNSHIP OF ANN ARBOR
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES - ALL SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDING DECEMBER 31, 2004

	<u>Fire Fund</u>	<u>Building Department Fund</u>	<u>Street Lighting Fund</u>
REVENUES			
Taxes	\$ 834,304	\$	\$
Special assessments			5,693
Service contract			
Building permits		185,571	
Grant	26,764		
Charges for services	34,683		
Interest	5,733	2,386	
Rental income			
Miscellaneous	<u>129</u>	<u></u>	<u></u>
Total revenues	<u>901,613</u>	<u>187,957</u>	<u>5,693</u>
EXPENDITURES	<u>852,045</u>	<u>138,641</u>	<u>3,881</u>
Excess of revenues over (under) expenditures	49,568	49,316	1,812
FUND BALANCE, JANUARY 1, 2004	<u>344,247</u>	<u>357,847</u>	<u>2,588</u>
FUND BALANCE (DEFICIT), DECEMBER 31, 2004	<u>\$ 393,815</u>	<u>\$ 407,163</u>	<u>\$ 4,400</u>

<u>Capital Improvement Fund</u>	<u>Farmland Preservation Fund</u>	<u>Totals</u>
\$	\$	\$ 834,304
		5,693
61,702		61,702
		185,571
		26,764
		34,683
7,986	14	16,119
69,922		69,922
<u>5,000</u>	<u></u>	<u>5,129</u>
<u>144,610</u>	<u>14</u>	<u>1,239,887</u>
 <u>51,693</u>	 <u>36,637</u>	 <u>1,082,897</u>
92,917	(36,623)	156,990
<u>607,860</u>	<u></u>	<u>1,312,542</u>
<u>\$ 700,777</u>	<u>\$ (36,623)</u>	<u>\$ 1,469,532</u>

INDIVIDUAL
FUNDS

GENERAL
FUND

CHARTER TOWNSHIP OF ANN ARBOR
GENERAL FUND
BALANCE SHEET
DECEMBER 31, 2004

ASSETS

ASSETS

Cash and investments	\$ 2,235,608
Accrued interest receivable	23,530
Taxes receivable	278,926
State shared revenue receivable	97,592
Due from other funds	<u>154,761</u>

Total assets \$ 2,790,417

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 30,300
Accrued payroll and related expenditures	9,445
Deferred revenue	<u>491,083</u>

Total liabilities \$ 530,828

FUND BALANCE

Unreserved	2,109,589
Reserved	<u>150,000</u>

Total fund balance 2,259,589

Total liabilities and fund balance \$ 2,790,417

CHARTER TOWNSHIP OF ANN ARBOR
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Taxes	\$	\$ 336,737	\$
Tax collection fees		123,510	
State revenue sharing		287,320	
Planning commission fees		6,800	
Zoning board of appeals		2,250	
Fees and services		12,543	
Cable TV - franchise fees		88,800	
Metro fees		5,534	
Annexation fees		2,200	
Sale of books, maps, etc.		718	
Fines and tickets		2,524	
Interest		55,693	
Penalties and interest		1,181	
Rental income		45,145	
Miscellaneous		1,702	
Reimbursements		8,818	
Police services		110,427	
	<u>1,094,484</u>	<u>1,091,902</u>	<u>(2,582)</u>
Total revenues			
EXPENDITURES	<u>1,013,900</u>	<u>907,997</u>	<u>105,903</u>
Excess of revenues over (under) expenditures	80,584	183,905	103,321
FUND BALANCE, JANUARY 1, 2004	<u>2,075,684</u>	<u>2,075,684</u>	
FUND BALANCE, DECEMBER 31, 2004	<u>\$ 2,156,268</u>	<u>\$ 2,259,589</u>	<u>\$ 103,321</u>

CHARTER TOWNSHIP OF ANN ARBOR
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
BOARD OF TRUSTEES			
Per diem - salaries	\$	\$ 4,340	\$
Payroll taxes		244	
Membership dues		13,677	
Service contracts		240	
Advertising		<u>2,218</u>	
Total board of trustees	<u>22,800</u>	<u>20,719</u>	<u>2,081</u>
SUPERVISOR			
Department head - salary		53,000	
Permanent - salary		8,431	
Medical		9,405	
Life insurance		1,686	
Dental insurance		1,117	
Pension		5,819	
Payroll taxes		4,981	
Memberships and dues		50	
Convention and conferences		303	
Mileage		<u>736</u>	
Total supervisor	<u>95,600</u>	<u>85,528</u>	<u>10,072</u>
ACCOUNTING AND AUDIT			
Accounting		10,132	
Audit		<u>3,000</u>	
Total accounting and audit	<u>16,500</u>	<u>13,132</u>	<u>3,368</u>
ELECTION			
Per Diem		6,970	
Supplies		2,391	
Advertising		<u>809</u>	
Total election	<u>11,000</u>	<u>10,170</u>	<u>830</u>

CHARTER TOWNSHIP OF ANN ARBOR
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
(continued)
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
ASSESSOR			
Service contract		48,934	
Tax refund		2,454	
Operating expense		<u>2,360</u>	
Total assessor	<u>63,900</u>	<u>53,748</u>	<u>10,152</u>
LEGAL COUNSEL			
Attorney fees – general	<u>51,000</u>	<u>50,729</u>	<u>271</u>
CLERK			
Department head - salary		32,759	
Permanent – salary		35,507	
Medical		17,008	
Life insurance		2,350	
Dental insurance		960	
Pension		6,425	
Payroll taxes		4,915	
Supplies		102	
Memberships and dues		80	
Mileage		322	
Conventions and conferences		252	
Miscellaneous		<u>240</u>	
Total clerk	<u>103,700</u>	<u>100,920</u>	<u>2,780</u>
BOARD OF REVIEW			
Per diem – wages	<u>1,000</u>	<u>85</u>	<u>915</u>

CHARTER TOWNSHIP OF ANN ARBOR
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
(continued)
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
TREASURER			
Department head - salary		36,500	
Permanent - salary		6,117	
Medical		11,955	
Life insurance		1,326	
Dental insurance		707	
Pension		3,989	
Payroll taxes		3,260	
Membership and dues		10	
Mileage		1,075	
Conventions and conferences		252	
Software		845	
Miscellaneous		1,027	
Tax billing service		3,094	
	<u> </u>	<u> </u>	<u> </u>
Total treasurer	<u>77,200</u>	<u>70,157</u>	<u>7,043</u>
 BUILDINGS AND GROUNDS			
Service contracts		218	
Telephone		9,513	
Electricity		4,629	
Heating		1,825	
Repairs and maintenance - building		4,217	
Repairs and maintenance - equipment		6	
Ground care and maintenance		1,011	
Miscellaneous		139	
Building allocation		(5,820)	
	<u> </u>	<u> </u>	<u> </u>
Total building and grounds	<u>20,200</u>	<u>15,738</u>	<u>4,462</u>

CHARTER TOWNSHIP OF ANN ARBOR
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
(continued)
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
CENTRAL CHARGES			
Office and supplies		4,926	
Printing		860	
Postage		6,528	
Miscellaneous		2,642	
Service contracts		20,092	
Insurance and bonds		50,461	
Repairs and maintenance – equipment		85	
Office equipment		1,409	
Office allocation		(16,522)	
	<u> </u>	<u> </u>	<u> </u>
Total central charges	<u>96,600</u>	<u>70,481</u>	<u>26,119</u>
SHERIFF DEPARTMENT			
Contract fee	<u>359,000</u>	<u>330,901</u>	<u>28,099</u>
PLANNING COMMISSION			
Per diem - wages		5,530	
Payroll taxes		443	
Consultants - planning		4,320	
Consultants - engineering		7,912	
Pre application		2,148	
Consultants - wetlands and natural		794	
Legal fees		6,394	
Advertising and publishing		537	
Service contracts		8,365	
Loss on projects		(102)	
Office supplies		492	
	<u> </u>	<u> </u>	<u> </u>
Total planning commission	<u>41,000</u>	<u>36,833</u>	<u>4,167</u>

CHARTER TOWNSHIP OF ANN ARBOR
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
(continued)
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
ZONING BOARD OF APPEALS			
Department head		20,340	
Per Diem		250	
Medical		360	
Life insurance		554	
Dental		246	
Pension		1,808	
Payroll taxes		1,402	
Service contracts		2,250	
Advertising and publishing		212	
	<u> </u>	<u> </u>	<u> </u>
Total zoning board of appeals	<u>27,900</u>	<u>27,422</u>	<u>478</u>
CONSULTANTS			
Engineering consultants	<u>5,000</u>	<u>2,491</u>	<u>2,509</u>
ROADS			
Service contracts	<u>7,500</u>	<u>6,195</u>	<u>1,305</u>
OTHER			
Miscellaneous	<u>14,000</u>	<u>12,748</u>	<u>1,252</u>
Total expenditures	<u>\$ 1,013,900</u>	<u>\$ 907,997</u>	<u>\$ 105,903</u>

FIRE
FUND

CHARTER TOWNSHIP OF ANN ARBOR
FIRE FUND
BALANCE SHEET
DECEMBER 31, 2004

ASSETS

ASSETS

Cash and investments	\$ 462,035
Taxes receivable	586,975
Due from other funds	<u>285,505</u>

Total assets		<u>\$ 1,334,515</u>
--------------	--	---------------------

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 8,365
Due to other funds	3,168
Accrued pension	4,121
Accrued compensated absences	52,566
Deferred revenue	<u>872,480</u>

Total liabilities		\$ 940,700
-------------------	--	------------

FUND BALANCE		<u>393,815</u>
--------------	--	----------------

Total liabilities and fund balance		<u>\$ 1,334,515</u>
------------------------------------	--	---------------------

CHARTER TOWNSHIP OF ANN ARBOR
FIRE FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Taxes	\$	\$ 834,304	\$
Grant		26,764	
Charges for services		34,683	
Miscellaneous		129	
Interest		<u>5,733</u>	
Total revenues	862,700	901,613	38,913
EXPENDITURES	<u>850,500</u>	<u>852,045</u>	<u>(1,545)</u>
Excess of revenues over (under) expenditures	12,200	49,568	37,368
FUND BALANCE, JANUARY 1, 2004	<u>344,247</u>	<u>344,247</u>	
FUND BALANCE, DECEMBER 31, 2004	<u><u>\$ 356,447</u></u>	<u><u>\$ 393,815</u></u>	<u><u>\$ 37,368</u></u>

CHARTER TOWNSHIP OF ANN ARBOR
FIRE FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
EXPENDITURES			
Department head - wages	\$	\$ 63,945	\$
Permanent - salaries		342,873	
Part time - wages		55,017	
Holiday, sick and vacation - wages		23,000	
Medical		73,162	
Life insurance		11,360	
Dental insurance		7,391	
Pension		41,402	
Payroll taxes		35,929	
Employment physicals		1,255	
Office supplies		626	
Printing and binding		148	
Fire fighting supplies		10,259	
Uniform allowances		1,353	
Gasoline		6,327	
Janitorial supplies		1,341	
Audit		1,400	
Subscriptions and books		243	
Membership and dues		1,140	
Legal		2,055	
Service contracts		15,249	
Telephone		3,017	
Convention and conferences		137	
Insurance and bonds		59,207	
Electricity		9,659	
Heating		3,961	
Repairs and maintenance - building		5,014	
Repairs and maintenance - equipment		25,253	
Ground care maintenance		104	
Training and improvements		3,684	
Tax refund		5,996	
Small equipment		8,745	
Grant expenses		30,184	
Office furniture and equipment		1,089	
Miscellaneous		520	
	<u> </u>	<u> </u>	<u> </u>
Total expenditures	<u>\$ 850,500</u>	<u>\$ 852,045</u>	<u>\$ (1,545)</u>

BUILDING
DEPARTMENT
FUND

CHARTER TOWNSHIP OF ANN ARBOR
BUILDING DEPARTMENT FUND
BALANCE SHEET
DECEMBER 31, 2004

ASSETS

ASSETS

Cash and investments	\$ 451,239
----------------------	------------

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 2,876
Accrued vacation and sick pay	9,406
Deferred revenue	29,739
Due to other funds	<u>2,055</u>

Total liabilities	\$ 44,076
-------------------	-----------

FUND BALANCE

<u>407,163</u>

Total liabilities and fund balance	\$ <u>451,239</u>
------------------------------------	-------------------

CHARTER TOWNSHIP OF ANN ARBOR
BUILDING DEPARTMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Building permits	\$	\$ 185,571	\$
Interest income		<u>2,386</u>	
Total revenues	<u>131,900</u>	<u>187,957</u>	<u>56,057</u>
EXPENDITURES			
Department head		54,680	
Salary – permanent		21,690	
Medical		5,809	
Life insurance		2,222	
Dental		1,287	
Pension		6,315	
Payroll taxes		5,382	
Office supplies		553	
Gasoline and diesel		861	
Audit		500	
Subscriptions and books		1,452	
Membership and dues		1,004	
Service contracts		17,125	
Telephone		621	
Conventions and conferences		45	
Insurance		1,106	
Equipment repair and maintenance		603	
Miscellaneous		24	
Building and grounds allocation		3,449	
Central charges allocation		<u>13,913</u>	
Total expenditures	<u>145,750</u>	<u>138,641</u>	<u>7,109</u>
Excess of revenues over (under) expenditures	(13,850)	49,316	63,166
FUND BALANCE, JANUARY 1, 2004	<u>357,847</u>	<u>357,847</u>	
FUND BALANCE, DECEMBER 31, 2004	<u>\$ 343,997</u>	<u>\$ 407,163</u>	<u>\$ 63,166</u>

STREET
LIGHTING
FUND

CHARTER TOWNSHIP OF ANN ARBOR
STREET LIGHTING FUND
BALANCE SHEET
DECEMBER 31, 2004

ASSETS

ASSETS

Cash and cash equivalents	\$ 4,664
Due from other funds	<u>57</u>

Total assets	<u>\$ 4,721</u>
--------------	-----------------

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 321
------------------	--------

FUND BALANCE

	<u>4,400</u>
--	--------------

Total liabilities and fund balance	<u>\$ 4,721</u>
------------------------------------	-----------------

CHARTER TOWNSHIP OF ANN ARBOR
STREET LIGHTING FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Special assessments	\$ 3,800	\$ 5,693	\$ 1,893
EXPENDITURES			
Electricity	<u>3,800</u>	<u>3,881</u>	<u>(81)</u>
Excess of revenues over expenditures		1,812	1,812
FUND BALANCE, JANUARY 1, 2004	<u>2,588</u>	<u>2,588</u>	<u></u>
FUND BALANCE, DECEMBER 31, 2004	<u>\$ 2,588</u>	<u>\$ 4,400</u>	<u>\$ 1,812</u>

CAPITAL
IMPROVEMENT
FUND

CHARTER TOWNSHIP OF ANN ARBOR
CAPITAL IMPROVEMENT FUND
BALANCE SHEET
DECEMBER 31, 2004

ASSETS

ASSETS

Cash and investments	\$ 727,217
Due from other funds	<u>3,168</u>

Total assets	<u>\$ 730,385</u>
--------------	-------------------

LIABILITIES AND FUND BALANCE

LIABILITIES

Deferred revenues	\$ 29,608
-------------------	-----------

FUND BALANCE

<u>700,777</u>

Total liabilities and fund balance	<u>\$ 730,385</u>
------------------------------------	-------------------

CHARTER TOWNSHIP OF ANN ARBOR
CAPITAL IMPROVEMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Service contract	\$	\$ 61,702	\$
Surplus property		5,000	
Interest		7,986	
Rental income		<u>69,922</u>	
Total revenues	137,560	144,610	7,050
EXPENDITURES			
Capital outlay	<u>57,400</u>	<u>51,693</u>	<u>5,707</u>
Excess of revenues over (under) expenditures	80,160	92,917	12,757
FUND BALANCE, JANUARY 1, 2004	<u>607,860</u>	<u>607,860</u>	
FUND BALANCE, DECEMBER 31, 2004	<u>\$ 688,020</u>	<u>\$ 700,777</u>	<u>\$ 12,757</u>

FARMLAND
PRESERVATION
FUND

CHARTER TOWNSHIP OF ANN ARBOR
FARMLAND PRESERVATION FUND
BALANCE SHEET
DECEMBER 31, 2004

ASSETS

ASSETS

Cash and investments	\$ 7,101
Taxes receivable	206,986
Due from other funds	<u>101,195</u>
Total assets	<u>\$ 315,282</u>

LIABILITIES AND FUND BALANCE (DEFICIT)

LIABILITIES

Accounts payable	\$ 3,723
Due to other funds	40,000
Deferred revenues	<u>308,182</u>
Total liabilities	351,905

FUND BALANCE (DEFICIT)	<u>(36,623)</u>
------------------------	-----------------

Total liabilities and fund balance (deficit)	<u>\$ 315,282</u>
--	-------------------

CHARTER TOWNSHIP OF ANN ARBOR
FARMLAND PRESERVATION FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Interest	\$ <u> </u>	\$ <u> 14</u>	\$ <u> 14</u>
EXPENDITURES			
Legal fees		15,240	
Service contracts		21,331	
Advertising	<u> </u>	<u> 66</u>	<u> </u>
Total expenditures	<u> 40,100</u>	<u> 36,637</u>	<u> 3,463</u>
Excess of revenues over (under) expenditures	(40,100)	(36,623)	3,477
FUND BALANCE, JANUARY 1, 2004	<u> </u>	<u> </u>	<u> </u>
FUND BALANCE (DEFICIT), DECEMBER 31, 2004	<u> \$ (40,100)</u>	<u> \$ (36,623)</u>	<u> \$ 3,477</u>

WATER AND
SEWER
FUND

CHARTER TOWNSHIP OF ANN ARBOR
WATER AND SEWER FUND
BALANCE SHEET
DECEMBER 31, 2004

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 3,695,686
Accounts receivable	193,470
Special assessments receivable	2,477
Interest receivable	104,260
Due from other funds	<u>40,000</u>

Total current assets \$ 4,035,893

RESTRICTED ASSETS

Investments 2,144,958

PROPERTY, PLANT AND EQUIPMENT

Water and sewer system	15,092,124
Equipment	<u>2,712,522</u>
	17,804,646
Less accumulated depreciation	<u>5,800,087</u>

Net property, plant and equipment 12,004,559

Total assets \$ 18,185,410

LIABILITIES AND FUND EQUITY

CURRENT LIABILITIES

Accounts payable	\$ 146,118
Accrued connection fees	17,040
Accrued compensated absences and pension	10,097
Due to other funds	<u>10,599</u>

Total current liabilities \$ 183,854

FUND EQUITY

Retained earnings	
Reserved	6,965,130
Unreserved	<u>11,036,426</u>

Total fund equity 18,001,556

Total liabilities and fund equity \$ 18,185,410

CHARTER TOWNSHIP OF ANN ARBOR
WATER AND SEWER FUND
SCHEDULE OF OPERATIONS - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Special assessments – interest	\$	\$ 2,961	\$
Charges for services		871,969	
Interest income – investments		127,429	
Benefit charges, connection fees and expenses (net)		<u>688</u>	
Total revenues and receipts	<u>960,985</u>	<u>1,003,047</u>	<u>42,062</u>
EXPENSES AND DISBURSEMENTS			
Purchases of services		672,234	
Wages		69,022	
Insurance – employees		18,319	
Pension		5,324	
Payroll taxes		5,128	
Office		537	
Printing		1,391	
Dues and memberships		390	
Gasoline and diesel		1,132	
Consultants		22,475	
Legal and accounting		28,067	
Meter equipment		2,543	
Service contracts		9,853	
Depreciation		376,482	
Repairs and maintenance		52,526	
Insurance and bonds		16,885	
Utilities and telephone		14,044	
Building and office allocation		4,980	
Loss on projects		15,900	
Small equipment		9,938	
Other operating expenses		<u>888</u>	
Total expenses and disbursements	<u>\$ 1,115,705</u>	<u>\$ 1,328,058</u>	<u>\$ (212,353)</u>

This schedule is prepared on a budgetary basis and as such does not present the expenditures for the year on the basis of generally accepted accounting principles but is presented for supplemental information.

CHARTER TOWNSHIP OF ANN ARBOR
WATER AND SEWER FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Total</u>
OPERATING REVENUES	
Charges for services and meters	<u>\$ 871,969</u>
OPERATING EXPENSES	
Purchases of services	672,234
Wages	69,022
Insurance – employees	18,319
Pension	5,324
Payroll taxes	5,128
Office	537
Printing	1,391
Gasoline and diesel	1,132
Consultants	22,475
Legal and accounting	28,067
Dues and memberships	390
Meter equipment	2,543
Service contracts	9,853
Utilities and telephone	14,044
Insurance and bonds	16,885
Repairs and maintenance	52,526
Building and office allocation	4,980
Small equipment	9,938
Loss on projects	15,900
Other operating expenses	<u>888</u>
Total operating expenses	<u>951,576</u>
Operating (loss)	<u>(79,607)</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest income - special assessments	2,961
Interest income - investments	127,429
Benefit charges and connections fees	18,098
Connection services (expense)	(17,410)
Depreciation (expense)	<u>(376,482)</u>
Total other revenues/expenses	<u>(245,404)</u>
Net (loss) before capital contributions	<u>(325,011)</u>
CAPTIAL CONTRIBUTIONS	
Developer contributions - fixed asset adjustment	<u>752,671</u>
Net income and capital contributions	427,660
RETAINED EARNINGS, January 1, 2004	<u>17,573,896</u>
RETAINED EARNINGS, December 31, 2004	<u>\$ 18,001,556</u>

CHARTER TOWNSHIP OF ANN ARBOR
WATER AND SEWER FUND
STATEMENT OF CASH FLOWS - INDIRECT METHOD
FOR THE YEAR ENDED DECEMBER 31, 2004

CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:

Operating (loss)		\$ (79,607)
Adjustments to reconcile operating income to net cash from (used in) operating activities		
Depreciation	\$ 376,482	
Changes in assets and liabilities		
(Increase) in accounts receivable	(19,039)	
(Decrease) in accounts receivable	23,614	
(Increase) interest receivable	(61,730)	
(Decrease) in accounts payable	(2,334)	
Increase due to other funds	(39,924)	
Increase accrued compensated absences	1,969	
Increase accrued connection fees	17,040	
(Decrease) due to other funds	<u>(434)</u>	
Total adjustments		<u>295,644</u>
Net cash from operating activities		216,037

CASH FLOWS FROM (USED IN) CAPITAL AND RELATED
FINANCING ACTIVITIES

Special assessment interest	2,961	
Benefit charge, net	(17,728)	
Acquisition of equipment and construction	(44,540)	
Transfers to investments	<u>(3,020)</u>	
Net cash (used in) capital and related financing activities		(62,327)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	<u>127,429</u>
Increase in cash	281,139
CASH AT JANUARY 1, 2004	<u>3,414,547</u>
CASH AT DECEMBER 31, 2004	<u>\$ 3,695,686</u>

The notes of the financial statements are an integral part of this statement.

PAYROLL
FUND

CHARTER TOWNSHIP OF ANN ARBOR
PAYROLL FUND
BALANCE SHEET
DECEMBER 31, 2004

ASSETS

ASSETS

Cash and investments	\$	581	
Accounts receivable		<u>29</u>	
			<u>\$ 610</u>
Total assets			

LIABILITIES

LIABILITIES

Accounts payable	\$	236	
Due to other funds		<u>374</u>	
			<u>\$ 610</u>
Total liabilities			

TAX
COLLECTION
FUND

CHARTER TOWNSHIP OF ANN ARBOR
TAX COLLECTION FUND
BALANCE SHEET
DECEMBER 31, 2004

ASSETS

ASSETS

Cash and investments

\$ 2,519,580

LIABILITIES

LIABILITIES

Due to others

\$ 1,994,689

Due to other funds

524,891

Total liabilities

\$ 2,519,580

TRUST AND
AGENCY FUND

CHARTER TOWNSHIP OF ANN ARBOR
TRUST AND AGENCY FUND
BALANCE SHEET
DECEMBER 31, 2004

ASSETS

ASSETS

Cash and investments

\$ 500

LIABILITIES

LIABILITIES

Due to other funds

\$ 500

ESCROW
FUND

CHARTER TOWNSHIP OF ANN ARBOR
ESCROW FUND
BALANCE SHEET
DECEMBER 31, 2004

ASSETS

ASSETS

Cash and investments	\$ 193,044	
Due from developers	<u>10,358</u>	
Total assets		<u>\$ 203,402</u>

LIABILITIES

LIABILITIES

Accounts payable	\$ 8,963	
Due to other funds	3,099	
Due to others	<u>191,340</u>	
Total liabilities		<u>\$ 203,402</u>

CHARTER TOWNSHIP
OF
ANN ARBOR

COMMENTS
AND
RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2004



PFEFFER ■ HANNIFORD ■ PALKA
Certified Public Accountants

John M. Pfeffer, C.P.A.
Patrick M. Hanniford, C.P.A.
Kenneth J. Palka, C.P.A.

Members:
AICPA Private Practice Companies Section
MACPA

225 E. Grand River - Suite 104
Brighton, Michigan 48116-1575
(810) 229-5550
FAX (810) 229-5578

March 31, 2005

Board of Trustees
Charter Township of Ann Arbor
3792 Pontiac Trail
Ann Arbor, Michigan 48105

Honorable Board of Trustees:

In planning and performing our audit of the general purpose financial statements of the Charter Township of Ann Arbor for the year ended December 31, 2004, we considered the Township's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the general purpose financial statements and not to provide assurance on internal control.

During our audit we became aware of three items which are opportunities for strengthening internal controls and operating efficiency. Those matters are as follows:

1. COMMENT

As of December 31, 2004 the following interfund balances were still payable.

	<u>Interfund Receivable</u>		<u>Interfund Payable</u>
General Fund	\$ 10,599	Water and Sewer	\$ 10,599
General Fund	2,055	Building Fund	2,055
General Fund	500	Trust and Agency Fund	500
General Fund	374	Payroll Fund	374
Fire Fund	285,505	Tax Collection Fund	285,505
Streetlights	57	Tax Collection Fund	57
General Fund	138,134	Tax Collection Fund	138,134
General Fund	3,099	Escrow Fund	3,099
Capital Improvement Fund	3,168	Fire Fund	3,168
Farmland Preservation	101,195	Tax	101,195
Water and Sewer	<u>40,000</u>	Farmland Preservation	<u>40,000</u>
Total	<u>\$ 584,686</u>	Total	<u>\$ 584,686</u>

RECOMMENDATION

These accounts should be cleared out as soon as possible.

This letter does not affect our report dated March 31, 2005, on the general purpose financial statements of the Charter Township of Ann Arbor.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and recommendations with various Township personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of the Board of Trustees, and management of the Charter Township of Ann Arbor.

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA
Certified Public Accountants